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## COUNTY OF LOS ANGELES DEPARTMENT OF CONSUMER AND BUSINESS AFFAIRS

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*"To Enrich Lives Through Effective and Caring Service"*



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March 5, 2020

To: Gina Natoli  
Hearing Officer

From: Shannon Louis  
Rent Stabilization Program

**Case No. RSQ19-11184**  
**Alex Hardy vs. Tenants of 1114 – 1118 W. 102<sup>nd</sup> Street Los Angeles, CA 90044**  
**Hearing Officer Meeting: March 12, 2020 – Agenda Item: 5**

The above-mentioned item is a Petition for Relief from Moratorium to request a rent increase in excess of the allowable limit as established by the Interim Rent Stabilization Ordinance, Ordinance Number 2018-0045. The Petitioner, Alex Hardy, owns the property located at 1114 – 1118 W. 102<sup>nd</sup> Street Los Angeles, CA 90044.

The item was continued on February 27, 2020 to a date certain of March 12, 2020, to allow the Department of Consumer & Business Affairs (DCBA) additional time to provide information related to the capital improvement project completed at the property. This memo is to provide a recommended passthrough amount and amortization period for the capital improvement related to the garage roof replacement, which was approved as a passthrough by the Hearing Officer on February 27, 2020.

The evidence provided includes an estimate by Sun Pacific Roofing and cancelled checks provided by the Petitioner. The cancelled checks related to the garage roof replacement completed at the property total \$6,000.00, which covered all 4 garages. It should be noted that only 3 units (75% of the affected units) are eligible to receive a passthrough for the improvements related to the garage roof replacement, as the remaining garage is for personal use by the Petitioner and maintenance. Therefore, only \$4,500.00 (75% of the total garage roof replacement costs for affected units) would be applicable to the remaining 3 units that are eligible to receive a passthrough.

For the garage roof replacement, DCBA recommends an amortization period of 10 years (120 months). Per the IRSO guidelines, DCBA completed the following calculation:

$$\text{(Total Applicable Cost} \div \text{Affected Units)} \div \text{Amortization Period} = \text{Monthly Passthrough}$$

$$(\$4,500.00 \div 3 \text{ Units}) \div 120 \text{ Months} = \$12.50$$

With a total of 3 affected units and a recommended amortization period of 120 months, DCBA calculates a monthly passthrough of \$12.50 per affected unit.

DCBA recommends the following:

1. *APPROVAL of the Interim Rent Stabilization Ordinance Petition for Relief from Moratorium Capital Passthrough Request under the following conditions:*
  - *Only 50% of the capital improvement costs may be passed through to affected units for a maximum of:*
    - *\$6.25 (\$12.50 x 0.50) for the roof replacement capital improvement*
  - *The capital improvement passthrough shall not commence until affected units are served a proper written notice.*
  - *The capital improvement passthrough related to the roof replacement of \$6.25 shall not exceed 120 months.*
  - *The capital improvement passthrough shall be listed as a separate line item and not deemed as rent.*
  - *The capital improvement passthrough should indicate an expiration date.*
  - *The Petitioner may increase rents by the allowable limit where allowed by the IRSO and permanent RSO. Capital improvements should not be calculated in the rent increase.*
  - *The combined allowable increase and capital improvement passthroughs shall not exceed 10% per year, which may result in the Petitioner not receiving the entire allowable passthroughs of \$6.25 in certain years, depending on the allowable increase.*
  - *Only the affected units may be charged for the passthrough. The remaining units shall not receive a capital passthrough. The rental rate for new vacancies should account for the capital passthroughs and may not be charged in addition to the listed rent.*

**SUGGESTED STATEMENT**

I, THE HEARING OFFICER, CLOSE THE PUBLIC HEARING, WITH A DENIAL OF THE FAIR RETURN INCREASE AND APPROVAL OF THE CAPITAL IMPROVEMENT PASSTHROUGH UNDER THE CONDITIONS AS OUTLINED IN THE FINDINGS FOR THE INTERIM RENT STABILIZATION ORDINANCE PETITION FOR RELIEF FROM MORATORIUM, CASE NUMBER RSQ19-11184.

**Suggested Statement**

Prepared by Shannon Louis

Reviewed by Analu Fernandini

If you need further information, please contact Shannon Louis at (213) 974-4118 or [slouis@dcba.lacounty.gov](mailto:slouis@dcba.lacounty.gov). Department office hours are Monday through Friday from 8:00 a.m. to 4:30 p.m.

**Attachments**

Attachment 1: DCBA Staff Capital Improvement Passthrough Calculations

SL: af  
(03/05/2020)